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MFR on Pay Reform Hearing on 20 October 1987

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On 20 October, the subcommittee on Compensation and Benefits held the second day of hearings on pay reform in the federal sector. The hearing was attended by representatives of various federal agencies and the Director of OPM, the prepared statements submitted by the witnesses are attached.

Constance Horner, Director of OPM made the first presentation (I summarized my notes since there was no written statement distributed by OPM). OPM considers pay reform very important because of the upcoming labor shortage, the federal government needs a system that provides for simplified classification and more pay flexibility. Although the China Lake experiment is not the final word (in pay experiments?) it is a proven alternative and other alternative systems are being developed - referred to PACER SHARE at the Air Force facility in California and other demonstration projects being discussed.

According to Ms. Horner, HR 3132 is not acceptable to the Administration because of the restrictions it would place on the president's pay setting authorities. The administration does not feel that additional demonstration projects are necessary and they have a concern with continuing to test something that is already tested (i.e., China Lake).

Rep. Ackerman asked Ms. Horner about the comparability pay - since the CSSA (Civil Service Simplification Act - expands china lake approach to the federal gov't on a agency by agency basis, still allows OPM oversight and control) does not adequately address the comparability issue - how would OPM propose to deal with comparability? Ms. Horner replied that comparability is a difficult issue - the current system allows some federal employees to be overpaid while others are underpaid. OPM wants to focus on: additional flexibility - to develop more connection with the market rates for entry level jobs; being able to react to the variations in localities; reward good performers more.

Rep. Ackerman asked if OPM would lower pay for anyone who was overpaid - Ms. Horner replied that OPM would not lower pay for an employee but that the CSSA would allow OPM to increase pay levels as required and would not apply the same pay increase to all levels and jobs. Also need to recognize that in order to continue to attract qualified employees the government service must be something that employees can respect, that good management is needed and that the pay rates have to be competitive with the private sector.

Rep. Ackerman asked how OPM intended to measure the success of the program - what is the definition or quantity used to determine if the program is a success. Ms. Horner replied that there are a number of indices such as how satisfied employees are with the system, how satisfied managers are with the system, do you have a high level of response. Rep. Ackerman wanted to know if the increases in salaries at China Lake were enough to account for the positive responses. Ms. Horner replied that OPM doesn't think satisfaction is directly related to money and that China Lake has a high percent of scientists and engineers in their employee population who were hired at higher rates because of critical skills. She also indicated that in computing the costs of the program, costs savings resulting from reduced training requirements and the time and decreased involvement by managers in the classification and personnel activities had to be factored in - this would count as saved money.

Rep. Ackerman asked Ms. Horner if she was confident that China Lake approach would be successful in other agencies. Ms. Horner replied that OPM is very confident but prudent, the CSSA will allow for a phased in approach to implementation of the China Lake system and it will be voluntary by agency, but will also require lots of training.

Rep. Ackerman asked if OPM would consider the issue of locality based pay to deal with different costs of living in different geographic locations. OPM does not want to relate pay to the cost of living in a particular area since they feel this would fuel inflation in the private sector. Pay (per OPM) should be related to the value of the work performed not to the cost of living in an area. Rep. Ackerman referenced the different per diem rates paid based on geographic locations and asked why couldn't pay be based on that approach - the private sector does reflect cost of living areas in their pay. OPM indicated that you need flexibility in pay, especially with entry level salaries.

Rep. Myers said he would like for a balance to be struck between the different bills and work out a system that would be cost neutral.

Rep. Morella wanted to ensure that we look at all the programs proposed to avoid dangers of fragmentation. OPM is also concerned about fragmentation and wants to get together with the Executive and the Legislative groups. OPO doesn't want to delay implementation while we experiment further.

The other witnesses presented their prepared statements and responded to generic questions from the subcommittee on the issues of locality pay and how they would develop a cost neutral system. Most responses concerning budget neutral were not very specific, NBS referred to projected retirements and attrition as means of operating under budget neutral requirements (NBS also indicated they have an increased operating budget for this year).